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Canadian-American Business Council  
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Thank you for that introduction. I am glad that you all could be here today.

*The US-Canada Relationship*

Canada and the United States, as all of you know, share a deep, close, and enduring relationship. We're not just neighbors, we are friends and family. We work together closely on a wide range of issues that affect both of our interests. And just as in the best of families, we have disagreements from time to time.

Unfortunately, that's what makes news – issues like softwood lumber or how best to fight terrorists or how to respond to isolated cases of mad cow disease that have affected both of our countries.

But even as our two governments work out our differences, our overall relations are constructive, cooperative, and close. We are working quietly everyday to make improvements in our relationship and advance our common values and interests around the world. That may not make a good headline, but it certainly makes for good government.

We have just celebrated NAFTA's tenth anniversary. I will address more specifically the benefits that NAFTA brought both our countries later on. For now, I leave you with this figure -- before the U.S.-Canada agreement went into effect on January 1, 1989, and NAFTA in January 1994, bilateral trade in goods and services combined was \$166 billion. In 2003, the figure was \$394 billion.

The U.S. and Canada, along with Mexico, are continually looking at ways we can improve the climate for trade and investment. This is a "bottom-up" process driven by the issues the business community has brought to our attention.

The United States and Canada are looking at ways our extraordinarily successful North American Aerospace Defense command can be modernized to help deal with new threats, including both terrorism and ballistic missiles. Under the Smart Border Accord, we are constantly looking for ways to improve the safety and security of cross-border trade – an issue I'll address in some detail in a few moments.

Internationally, the United States and Canada are working together to make the world a safer place. Canada is playing a lead role in the International Security Assistance Force (ISAF) in Afghanistan and is a key partner in the Multilateral Interim Force sent to stabilize Haiti ahead of a longer-term UN-led mission.

We value our permanent consultations in the full range of issues at the Organization of American States, where Canada has been a member since 1990 and has made a very positive contribution.

Canada was not part of the Coalition in Iraq but is a major donor to post-war reconstruction as we seek to bring peace, stability, progress, and opportunity to Iraqis long oppressed by Saddam Hussein. The Royal Canadian Navy has deployed most of its combat ships for at least one tour in support of the war on terrorism in that region of the world.

Canada has recently joined the Proliferation Security Initiative to combat the spread of weapons of mass destruction and is already taking a leading role.

These are just some examples of the many issues on which Canada and United States are working together. Our relationship is strong, beneficial and productive. I know that both President Bush and Prime Minister Martin want to strengthen our relationship even further.

The President and the Prime Minister had a very good meeting in Monterrey at the Special Summit of the Americas in January. Throughout the Special Summit process, Canada collaborated with us to advance a practical agenda of concrete commitments achievable in the short-term, including anti-corruption initiatives, education reforms, and measures to jump-start small and medium-sized businesses throughout the Americas so that they can be an engine of job creation.

Prime Minister Martin will visit Washington on the 29<sup>th</sup> and 30<sup>th</sup> of this month for a meeting with the President. We are looking forward to that visit, and I am sure that it will be another successful, productive meeting. The U.S. and Canada will continue to work together advance our common interests and values in the Western Hemisphere and around the world.

#### *U.S.-Canadian Trade*

In many of these efforts, Canada is our partner. We have a very broad and deep relationship because when it comes down to it, we share common interests and values. The most obvious example of our common interest is our trading relationship. It's often noted that U.S.-Canada trade is the most extensive and the most profitable in the world. You know the general situation as well as I do. Many industries – including automotive, communications, and energy – have integrated to such an extent we could never fully disengage. Both U.S. and Canadian officials are constantly working to improve this relationship, make it more efficient and secure.

As I noted earlier, the U.S. and Canada traded an estimated \$394 billion dollars in goods and services last year. That translates into nearly \$1.1 billion in *goods* crossing our border every day, and cross-border investments, and tourism surpass \$42 billion a year.

Half of Canada's foreign investment dollars flow to the United States and some 60 percent of the foreign investment dollars in Canada come from the United States. In addition to our goods, services and capital, our citizens are crossing the border at the rate of 200 million per year – that's half a million people every day, at over 80 border stations from Alaska to New Brunswick.

Before the U.S.-Canada Free Trade Agreement went into effect on January 1, 1989, bilateral U.S.-Canada trade in goods and services combined was \$166 billion. Two-way trade in goods has risen over 120 percent since the FTA went into effect – by some estimates by as much as 150 percent. And if you add in services, total two-way trade rose even more. One-quarter of Canadian jobs are linked to international trade and wages in trade-sector jobs pay on average 35 percent better than those not linked to international trade.

The economic downturn in 2000-2002 had its effect, as did 9/11, SARS, and the mad cow crisis, but signs are beginning to point upward and both our economies are starting to gain strength.

In both countries, manufacturing is up, employment is up, wages are up, and exports are up, by substantial amounts, in part because of our free trade cooperation.

One-quarter of Canadian jobs and one-fifth of American jobs are linked to international trade. And these are good-paying jobs, with wages up to 35 percent higher than those not linked to international trade.

Fully one-third of global trade happens right here in North America, between Canada, the United States, and Mexico. Together, we account for 19 percent of global exports and a whopping 25 percent of global imports.

This economic relationship creates a common interest in multilateral trade policy. Canada and the U.S. are actively pursuing an aggressive free trade strategy in the WTO and through negotiations for a Free Trade Area of the Americas.

Our respective goals for the Doha Round at the WTO are on the same track – reforming agricultural trade and reducing agricultural export subsidies, opening markets and cutting tariffs for goods and services, and strengthening international trade rules.

Because we know firsthand the benefits of trade, we are working together to extend them to our neighbors throughout the Americas. Canada has been a strong backer of the FTAA. In fact, Canada chaired the first 18 months of the negotiations and hosted a ministerial meeting. Canada's leadership on this issue is absolutely essential.

#### *Homeland Security*

Another area of intense cooperation is, of course, homeland defense. Securing our borders and our arteries of trade and travel is of vital importance; our livelihoods and our lives depend on it. For two and a half years, we have been working together diligently to create a safe and efficient common border, a border that unites us and does not divide us. We have made great progress. However, it is fair to say that much more work is needed.

Three-mile backups at major crossings like Niagara-Buffalo and Windsor-Detroit are all too common. Space and infrastructure limitations and staffing issues are vexing. Impacts on business are serious and are forcing changes in how our companies do business. Tourism is down, not just because of SARS or differences in political opinions, but also due to the public's perception that crossing the border is becoming a hassle.

We've worked closely with the Government of Canada to improve border security and ensure efficient movement of people and goods. We're cooperating with the Government of Canada to screen incoming container shipments, on critical infrastructure protection, and on bio-security measures. In December 2001, John Manley and Tom Ridge launched a 30-point action plan to create a secure and "smart" border to benefit both of our countries.

As part of this effort we have deployed additional immigration officers overseas and worked to coordinate our visa policies. We have expanded our information sharing, developed common standards for passenger screening, and exchanged Customs officers at our major ports to cooperate in the screening of incoming container shipments. Canada was also the first country to join us in developing our Container Security Initiative to screen incoming container shipments.

Over the past two years we have expanded our NEXUS program for trusted travelers. NEXUS is operating at eleven high-volume border crossings. On the first of March, the Whirlpool Rapids Bridge at Niagara Falls became the first wholly NEXUS passenger vehicle border crossing. We also hope to extend this program to include air travelers, and we are developing pilot programs for NEXUS-Air.

Our Free and Secure Trade or FAST program has improved security of cross border shipments while speeding the movement of truck traffic. It uses a public-private partnership to create a secure supply chain for low-risk goods from known suppliers.

Shipments from these suppliers will be expedited at our joint border, freeing customs officials to focus on lesser-known and therefore higher-risk traffic. FAST is currently operational at 12 high-volume commercial crossings, and 27 commercial crossings will become FAST-capable by the end of 2004.

This past January, FAST lanes opened at the Port Huron-Sarnia border crossing. Early in April we expect to open a FAST dedicated lane at the Champlain/Lacolle border crossing.

Our law enforcement agencies are working together to tackle narcotics trafficking, trafficking in persons, and terrorism. The cooperation that we have received from Canadian law enforcement and intelligence agencies has been nothing short of extraordinary.

Under the Smart Border Accord, we have developed and implemented Integrated Border Enforcement Teams – IBETS – that are providing full bilateral cooperation and coordination in countering cross-border criminal and potential terrorist activity. We now have 14 IBET units working across the full length of the U.S.-Canada border.

But all the work that we do is really just laying the groundwork for others – for people like you who make both of our economies grow. Business people, civil society, consumers, and workers – you are the people who will do the heavy lifting in this relationship. You will build the goods to export, you will provide the services that others require, and you will adopt the long-term vision that allows trade to improve our lives.

It is our job to make your job easier. I would encourage you, as you reflect on Canada's relationship with the United States, to consider the advantages that geographic location offers you. We certainly do. We consider the relationship very important. As you look at that relationship we hope that Canada will always look to be out ahead of the rest of the world in integrating with the U.S. in terms of security policy, economic policy, in terms of what we're able to do at the border. So that Canada is growing together with the United States in every sense of that expression.

#### The Bush Administration's Western Hemisphere Policy

On a broader note, we see Canada as a partner and a good neighbor because it works with us to build a better neighborhood. The goal of the Bush Administration's Western Hemisphere policy is to create a community of democratic, stable, and prosperous nations in the Americas. I think that's the kind of community that most Canadians would feel right at home in too. To achieve this goal, the U.S. is promoting four interdependent and mutually reinforcing policies in the Hemisphere: strengthening democratic institutions; creating the right conditions for economic growth; investing in people; and bolstering security.

We know that democracy is about more than elections. Democracy is a culture that relies institutions and principles; institutions like political parties and principles like the rule of law. Throughout the Americas, nations have made great progress toward democracy in the past few decades. Now the hard work of implementing reforms and building institutions has to be done, and we are working with our neighbors in the Americas to get that done.

Along with promoting democracy and freedom, we understand that we need to open the door of opportunity to those in the Hemisphere for whom it has been shut in the past. Hundreds of millions of our neighbors, more than half the population of the Hemisphere, live in poverty, chronic poverty that has persisted for generations. We need to create the right climate for economic growth and progress in the Americas. We need for every citizen of this Hemisphere to have a chance to create wealth and contribute to the general prosperity. The best way that the United States can help its neighbors economically is free trade. What has worked for the U.S.

and Canada, and Mexico can work for every nation in the Hemisphere. That is why we are working for the Free Trade Area of the Americas.

FTAA will create opportunity and provide powerful economic incentives for growth and progress. The citizens of the Hemisphere will need certain skills and facilities to take advantage of opportunities in the future. They will require adequate healthcare and education. That is why investing in people is a priority for this Administration at home and abroad.

The President has announced a new program, the Millennium Challenge Account. This program represents a new approach to foreign aid. These monies will be directed to those countries that govern justly and honestly, uphold the rule of law, fight corruption, promote economic freedom, and invest in their people. We believe MCA will create an incentive for governments to tackle the challenge of healthcare and education in developing countries.

Finally, we are working with our friends and allies in the Hemisphere to secure the Americas from threats posed by terrorists, narcotic traffickers and transnational criminal organizations. We know from our experience on September 11<sup>th</sup> just how vulnerable we all are. Far beyond our borders, we need strong allies in this Hemisphere to win the War on Terror, so we are working with our partners in the Americas to strengthen and reorganize their security capabilities to meet these threats.

These are some of the ways that the Bush Administration is working to engage our neighbors and build a better neighborhood. The principles that guide us in these efforts are the same ones that the United States and Canada adhere to and have proven so beneficial to us, individually and together. The US-Canada relationship is a model of cooperation and the progress that nations can be make together. I am very proud of that relationship, as I know Secretary Powell and President Bush are. I hope you will continue to work with us to build on it and extend it.

Thank you very much.

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